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This Week in Canadian Agriculture, Issue 35 2006

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Report Highlights:

Measner Sacked, New CWB President/CEO Appointed * Bio-Fuels Mandate, Programs Announced * CWB Elections Result in Status Quo * Canada Publishes Organic Regulations * Feed Most Likely Cause of Canada's 8th Case of BSE * CFIA Proposes to Streamline Bovine Import Regulations by Moving to an Import Permit System * Support Prices for Skim Milk Powder Increase * CWB to be Included in Access to Information Law * Barley Plebiscite Wording, Voters List Up For Debate * Committee Says CGC Needs To Be Modernized

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

MEASNER SACKED, NEW CWB PRESIDENT/CEO APPOINTED: Minister Strahl announced the appointment of a new president and CEO of the CWB on December 19th. Greg Arason is replacing Adrian Measner who was fired after loudly opposing the Tory government's plans to dismantle the CWB monopoly on wheat and barley for domestic consumption and export. Mr. Arason is to serve as interim president and CEO of the Canadian Wheat Board until a new president can be selected. Mr. Arason is a past CWB president, having served between 1998 and 2002. He has also been director of a number of agri-business companies and industry associations including CanAmara Foods, Can-Oat Milling, The Chamber of Maritime Commerce, Canada Grains Council, Prince Rupert Grain, Westco Fertilizers, Western Grain Elevator Association, and XCAN Grain. It is unclear where Greg Arason stands with regards to the board's monopoly powers. He has refused to publicly state a position, maintaining that it is a debate to be carried on between government and Western grain farmers. While Arason was a strong defender of the CWB's single-desk seller while president between the years 1998-2002, the Minister's choice of president would likely have been a person ready to prepare the CWB for a transition to an open market.

BIO-FUELS MANDATE, PROGRAMS ANNOUNCED: Environment Minister Rona Ambrose and Agriculture Minister Chuck Strahl held a joint press conference in Saskatoon on December 20th to announce regulations and programs designed to promote a bio-economy in Canada. Minister Ambrose announced an annual average renewable content mandate of five percent in gasoline by 2010 and a two percent renewable content in diesel fuel and heating oil by 2012. These new regulations will be implemented under the Canadian Environmental Protection Act (1999) and the proposed revisions in the Clean Air Act. Minister Strahl promoted two new programs designed to help the development of a Canadian bio-fuels and bio-products economy. Calling this announcement a "good news" story for farmers, Strahl promised \$345 million for two agriculture programs. Two hundred million dollars has been allotted to a Capital Formation Assistance Program for Renewable Fuels Production. This program is designed to help farmers secure some of the ownership in this new bio-products market. One hundred and forty-five million dollars has been made available to a Agriculture Bioproducts Innovation Program. This program's focus is on research and development and how to bring these new developments to market. According to Agriculture Canada, about 1.0 Mt of corn and 0.5 Mt of wheat are used to produce 0.6 GL of ethanol annually in Canada. They estimate that to meet the production target of 2.74 GL of ethanol by the year 2010, approximately 4.6 Mt of corn and 2.3 Mt of wheat will be required. More information on the announcement can be found at the following website: http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2006&page=n61220. The FAS Canadian bio-fuels report can be found at the following website: <http://www.fas.usda.gov/gainfiles/200609/146208865.pdf>

CWB ELECTIONS RESULT IN STATUS QUO: Canada's Minister of Agriculture Chuck Strahl's hopes for a CWB board of directors that would embrace the new direction he plans to take the CWB ended with the CWB election results. CWB monopoly supporters won four of the five positions open on the board of directors, thereby maintaining the status quo. The 15-person board is made up of ten grain-farmer elected directors and five directors appointed by government. Voter participation was a little over 50%. To be eligible to vote, farmers had to have delivered to the CWB within the past two years. Later in the week, a rally organized by Friends of the Wheat Board, was held in front of CWB headquarters in Winnipeg. Hundreds of grains farmers attended the rally and cheered their support for at-that-time president Adrian Measner. Adrian Measner had been given until Thursday, December 14th to inform Minister Strahl of whether or not he was prepared to work with government in the transition plans for the CWB. Measner could not resist a parting volley and announced to the crowd that his response to Minister Strahl was two-fold: first, he will continue to support the single desk marketing of Prairie grain; and two, that the government must leave the farmer elected board to run the organization. The tug of war between the board of directors and the government is due in part to

amendments made to the Canadian Wheat Board Act in 1998. The amendments included the creation of a 15 person board with 10 farmer-elected positions. The president and CEO, however, was not made answerable to the board but instead was made a government appointment.

CANADA PUBLISHES ORGANIC REGULATIONS: Canadian Organic Regulations became official after they were published in the Canada Gazette, part II on December 21, 2006. The Canadian Food Inspection Agency (CFIA) reviewed and considered all comments under a public comment period on the proposed regulations that concluded last month. For regulatory framework, Canada's Organic Regime (COR) will build on the existing system of domestic accreditation and certification bodies. According to the CFIA, the criteria are modeled on internationally accepted guidelines, which will be used for the assessment and recognition of these organizations. The *Canada Agricultural Products Act* (CAPA) is the enabling legislation under which these Regulations have been developed. Organic products must continue to meet the requirements set out in the *Consumer Packaging and Labeling Act*, the *Food and Drugs Act*, and all other applicable legislation. The Organic Production Systems General Principles and Management Standards (Standard) and Organic Production Systems Permitted Substances Lists (PSL) developed by the Canadian General Standards Board (CGSB) will form the basis of the Regime. The COR is designed such that the Government of Canada will provide oversight of the Regime with the CFIA acting as the competent authority, and will integrate existing accreditation and certification bodies into the system, provided they meet the prescribed requirements. The CFIA will permit the use of the organic logo on products, which have been certified as 95 percent or more organic. Shipments of imported organic products must be accompanied by an attestation issued by the recognized competent authority of the country of origin. The CFIA claims that this requirement is consistent with other regulatory provisions and is similar to the requirements of many of Canada's major trading partners such as the US and the EU. The CFIA expects the organic regulations to have a high degree of acceptance among consumers, producers, processors, provincial/ territorial governments and other stakeholders in the organic sector. The full text of the regulation is available at: <http://canadagazette.gc.ca/partII/2006/20061221-x6/html/extra-e.html>

FEED WAS MOST LIKELY CAUSE OF CANADA'S 8TH CASE OF BSE: The Canadian Food Inspection Agency (CFIA) has concluded its investigation into Canada's eighth (and most recent) case of BSE, found August 9, 2006, in a commercial beef cow on a farm in northern Alberta that died following a short history of neurological disease. After the brain tissue went for testing, the carcass was transferred from the farm to an incineration facility. No part of the carcass entered the human food supply or animal feed chain. According to the CFIA, no feed investigation could be conducted because the birth farm of the animal could not be definitively determined. The positive cow was a Charolais crossbred cow estimated as approximately eight to ten years of age. In previous investigations, the CFIA demonstrated that the BSE agent was present on limited occasions in the Northern Alberta area during the period (1996-1998) spanning the estimated first year of the animal's life and its maximum susceptibility period. This period also coincides with the introduction of Canadian regulations to prohibit the feeding of mammalian protein to ruminants. The CFIA concludes that the animal would have been born and exposed before the feed ban came into effect or during the early stages of implementation. At that time feed containing prohibited material may have remained on farms and feed mills which were adapting to the new requirements.

CFIA PROPOSES TO STREAMLINE BOVINE IMPORT REGULATIONS BY MOVING TO AN IMPORT PERMIT SYSTEM: The Canadian Food Inspection Agency (CFIA) is proposing regulatory amendments to create a more responsive, adaptable and uniform import system for bovine animals and products from the United States. The proposal was published in the Canada Gazette, Part I, on December 16, 2006. Interested parties have until January 14, 2007 to submit comments. Under proposed amendments to the *Health of Animals Regulations*, U.S. animals and their products would be imported under CFIA import permits. CFIA feels this approach would allow it to more effectively respond to new science and evolving international standards concerning live bovine trade and claims that permits provide an effective means to track imported animals-a critical component of foreign animal disease outbreak responses. The new system would also provide Canada greater flexibility to more quickly implement revisions to import policies, such as previously announced changes to bluetongue-related import requirements for U.S. cattle. The proposal would standardize Canada's import controls with respect to bovine spongiform encephalopathy (BSE) in accordance with the Agency's BSE import policy. *Comment: Under current Canadian animal health regulations, specific import conditions for cattle entering from the U.S. are prescribed in the regulations and CFIA's goal is to manage animal health risk via import permits rather than through its Import Reference Document, the subset of the regulations*

that sets out the current import conditions. The proposed system is expected to be much more responsive because the criteria and issuance of import permits requires only an administrative order, not a regulatory change. For U.S. exports of bovines to Canada, the proposal is positive in that it will allow Canadian regulators to change Canadian animal health requirements more easily to reflect changes in science and policy. It should facilitate the implementation of Canada's new policy to eliminate the bluetongue testing requirements on all U.S. bovines to Canada (other than restricted feeders and cattle for immediate slaughter, classes that do not currently require bluetongue testing) and in the future do likewise for anaplasmosis testing requirements, which are currently mandatory but are under review by CFIA. U.S. cattle entering Canada under the restricted feeder program are already on an import permit system.

SUPPORT PRICES FOR SKIM MILK POWDER INCREASE: The Canadian Dairy Commission has announced the support prices for milk and skim milk powder for 2007. Effective February 1st, 2007, the support price for skim milk powder will increase from \$5.8337 to \$5.9212 per kg. The support price for butter will remain the same at \$6.8695 per kg. For dairy producers this means an increase of .75 cents per liter for industrial milk. Industrial milk is milk that is used in the manufacturing of dairy products such as yogurt, cheese, butter, and skim milk powder.

CWB TO BE INCLUDED IN ACCESS TO INFORMATION LAW: The CWB has lost its fight to keep the CWB from falling under the Access to Information Act as proposed in Bill C -2, the Federal Accountability Act. The CWB board had argued that the board should not have to submit to the information law due to the need to protect information to ensure the commercial functioning of the CWB would be preserved. CWB maintained that compliance would be expensive and would benefit only critics and competitors. The Senate, having already removed the CWB from the bill once and sent it back to the House of Commons once where it was re-inserted, decided not to fight the inclusion of the CWB a second time. Minister of Agriculture Chuck Strahl released a press statement on the inclusion of the CWB in the Act. He stated that the inclusion of the CWB in the proposed bill is to bring greater openness and accountability to the CWB and will not require it to release commercially sensitive information. The intent is to give farmers a means of scrutinizing the administrative costs of the CWB, which amount to almost 70 million dollars annually. The bill was granted royal assent on December 12th, 2006. The date when this act will come into force has not been determined. More on Bill C -2 can be found on the following web-site:

<http://www.parl.gc.ca/legisinfo/index.asp?Language=E&Session=14&query=4649&List=toc> .

BARLEY PLEBISCITE WORDING, VOTERS LIST UP FOR DEBATE: The results of the CWB elections have upped the stakes in the federal barley plebiscite planned for early 2007. Both the voters' list and the wording of the question have become contentious. The Canadian Wheat Board Act, in the matter of a plebiscite, states that the voters' list and the question wording remain under the purview of the Minister of Agriculture. Minister of Agriculture Chuck Strahl has announced plans to make the voter list broad enough to include all those who are producing barley and those who have produced barley recently. Some critics have accused the Minister of trying to open the voters' list as wide as possible to be able to include as many marketing choice supporters as possible. Critics of the Tories plans for the CWB have also pushed on the design of the questions and the inclusion of wheat in the plebiscite question. An Agriculture and Agri-food Standing Committee report that contains a committee recommendation on the wording of a plebiscite question on barley and wheat was tabled and adopted in the House of Commons in mid-December. A dissenting opinion by Government committee members was included in the report. It states that the committee opposition members tainted the recommendation. Government committee members contend that opposition members ignored the rules of the House and sought to undermine the authority of the Minister of Agriculture. While Strahl has promised a plebiscite on barley, he still refuses to commit to anything on wheat. The government of Manitoba, however, is preparing to give Manitoba farmers an opportunity to vote on wheat and barley at a cost of \$80,000. The questions are the same as the ones proposed in the Agriculture Committee recommendation. Farmers are asked to indicate their agreement with one of two choices:

- I wish to maintain the ability to market all wheat, with the continuing exception of wheat sold domestically for feed, through the CWB single desk system

or

- I wish to remove the single desk marketing system from the CWB and sell all wheat through an open market system.

The same question is asked on barley. Ballots for the Manitoba plebiscite must be returned by January 5th, 2007.

COMMITTEE SAYS CGC NEEDS TO BE MODERNIZED: One of the trade irritants impeding the free trade of U.S. wheat may be eliminated if the overhaul planned for the Canadian Grain Commission Act includes recommendations of the Standing Committee on Agriculture and Agri-food. In a report presented in the House of Commons on December 5th, the committee made recommendations on the changes that should be made to modernize the Canadian Grains Act so that it better reflects the current market realities. One of the recommendations is to abandon the kernel visual distinguishability standard (KVD) and have it replaced by a system based on farmer's declarations or affidavits supported by science-based mechanisms of quality control. Currently, Canada exerts rigid varietal controls that require each variety of grain be registered and visually distinguishable. U.S. varieties may not meet the KVD standard and as a result U.S. wheat is often sold as feed wheat at discounted prices, despite the fact that the wheat qualities may be equivalent to Canadian registered varieties. Agriculture Minister Chuck Strahl is to bring about legislation to change the Canadian Grain Act in early 2007. The review of the commissioned evaluation of the Canadian Grain Act and the Canadian Grain Commission, and all the committee's recommendations can be found at the following web address:
<http://cmte.parl.gc.ca/Content/HOC/committee/391/agri/reports/rp2564356/agrirp05/03-hon-e.htm>

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